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CPI GLOSSARIES USED BY SELECTED NATIONAL STATISTICAL OFFICES

Contributed paper submitted by the ECE Secretariat

1. The first meeting of the Technical Expert Group on CPI (TEG-CPI) agreed that one of the first steps in preparations for the new Manual on CPI would be to establish an internationally agreed glossary. Furthermore, this work was to be undertaken in close cooperation with Eurostat in order to harmonize it with the work on the glossary to be used in the Manual for HICP.

2. To this end the ECE secretariat has compiled the glossaries used by the following national statistical offices and other sources:

- Office for National Statistics (ONS), the United Kingdom;
- Statistics Canada;
- The 1989 ILO manual on CPI

The glossaries are shown in Annex 1. This file (SUM1.XLS) will be available on the ECE Internet address:

<http://www.unece.org/stats/documents/199.11.cpi.htm>

- Bureau of Labor Statistics (BLS), United States

The glossary is presented in Annex 2. This file (BLS.DOC) will also be available on the same ECE Internet address as above. At this address the same glossary, except for the introduction, is also available in an Excel file named BLS.XLS.

- Australian Bureau of Statistics (ABS)

The glossary is presented in Annex 3. The file (ABS.DOC) is based on three sources from ABS. The file is also available on the above ECE Internet address.

3. The idea behind presenting these glossaries was to make them available to a wider auditorium and especially to those experts who are participating in the TEG-CPI and are involved in drafting of the glossary for the new CPI Manual.

## Annex 3

## GLOSSARY of the Australian Bureau of Statistics (ABS)

<b>ACCRUAL BASIS</b>	The concept used in the CPI, whereby price changes are reflected at the time the obligation to pay is incurred - as distinct from when payment is made. (5.19).
<b>ACQUISITION APPROACH</b>	The concept whereby the weight of an item in the CPI is based on the value of the goods or services acquired in the weighting base period, regardless of when payment is made.
<b>AGGREGATION</b>	The process of combining lower level price indexes to produce higher level indexes.
<b>ALL GROUPS INDEX</b>	The index series showing price movement for the weighted combination of all goods and services priced for the CPI. The highest level of CPI aggregation.
<b>ALL GROUPS</b>	Highest level of the CPI, containing all the groups, subgroups and expenditure classes.
<b>BASIC PRICES</b>	The value of a commodity at basic prices is equal to its value when it leaves the producer, before the application of indirect taxes (less subsidies) and trade and transport margins.
<b>BASKET</b>	Commonly used term for the goods and services priced for the purpose of compiling the CPI.
<b>CHAIN INDEX</b>	A continuous index number series formed by linking new index series, which reflect a changed weighting pattern, to previous index series, on a regular and frequent basis (e.g. annually).
<b>CORPORATE SECTOR</b>	This sector comprises corporations which may be defined as legal entities, created for the purpose of producing goods or services for the market, that may be the source of profit or other financial gain to its owner(s). Corporations may be public or private, financial or non-financial. Quasi-corporations which are unincorporated enterprises that function as if they were corporations are also included in the corporate sector.
<b>COST-OF-LIVING (INDEX)</b>	A measure of the change in household income required to maintain a constant level of utility.
<b>COST OF LIVING INDEX</b>	An index measuring the change in the cost of preserving a particular standard of living. Such an index would take account of changes in the mode of living as well as price changes. The term is frequently, but incorrectly, used to describe the CPI.
<b>CPI</b>	A general indicator of the rate of change in prices paid by households for consumer goods and services.
<b>CPI BASKET</b>	A commonly used term for the goods and services priced for the purpose of compiling the CPI.
<b>CPI POPULATION GROUP</b>	That sub-set of the Australian population to which the CPI specifically relates, namely metropolitan employee households.
<b>ELEMENTARY AGGREGATE</b>	The lowest level of commodity classification in the CPI and the only level for which index numbers are constructed by direct reference to price data.
<b>EMPLOYEE HOUSEHOLDS</b>	Households which obtain at least 75 percent of their total income from wages or salaries, but excluding the top 10 percent (in terms of income) of such households. The CPI population group is metropolitan employee households.

<b>EXPENDITURE CLASS</b>	A group of similar goods or services. The level at which weights are fixed for the life of an index series and the lowest level for which indexes are regularly published. There are 101 expenditure classes in the 13th series CPI.
<b>EXPENDITURE AGGREGATE*</b>	The current cost in dollars per year of purchasing the same quantity of goods or services as was purchased in the weighting base period by the CPI population group.
<b>EXPENDITURE AGGREGATE**</b>	The common unit of measurement which represents the current cost in dollars per household per year of purchasing the same quantity of goods or services as was purchased in the weighting base period. Expenditure aggregates are calculated by applying price movements to base period expenditure weights. (6.10 - 6.13).
<b>EXPENDITURE APPROACH</b>	The concept whereby the weight of an item in the CPI is based on the value of expenditure on the goods or services in the weighting base period regardless of when the good or service was acquired or consumed.
<b>EXPENDITURE CLASS</b>	A grouping of like items in the CPI regimen; this is the level at which CPI weights remain constant during the life of each short-term CPI series. The current (eleventh series) CPI contains 107 expenditure classes. (4.11; Appendix I).
<b>FIXED WEIGHT INDEX</b>	A price index in which the weighting pattern is fixed for the life of each component series. The CPI currently comprises 11 short-term, fixed weight, linked series (Appendix 3).
<b>FIXED-WEIGHTED INDEX</b>	An index in which the weighting pattern is fixed for the life of each index series.
<b>GENERAL GOVERNMENT</b>	The general government sector comprises institutional units which, in addition to fulfilling their political responsibilities and their role of economic regulation, produce principally non-market services (possibly goods) for individual or collective consumption and redistribute income or wealth.
<b>GROSS CAPITAL FORMATION</b>	A national accounts measure which equals the sum of gross fixed capital expenditure, increase in stocks and net acquisitions of valuables
<b>GROSS FIXED CAPITAL EXPENDITURE</b>	A national accounts measure defined in the SNA93 as acquisitions, less disposals, of new or existing tangible fixed assets (e.g. buildings, equipment) and intangible fixed assets (e.g. mineral exploration, computer software); major improvements to tangible non-produced assets and costs associated with the transfer of ownership of non-produced assets.
<b>GROUP</b>	The first level of disaggregation of the CPI. There are 8 groups in the 13th series CPI. It is expected that a ninth group, Financial services, will be added to the CPI in early 2000.
<b>GOVERNMENT FINAL CONSUMPTION EXPENDITURE</b>	A national accounts measure which reflects current expenditure by general government bodies on services to the community.
<b>HOUSEHOLDS</b>	All persons in the economy, with the institutional units in the household sector consisting of one individual or a group of individuals. The household of the owner of an unincorporated enterprise in general includes the enterprise.
<b>HOUSEHOLD EXPENDITURE SURVEY (HES)</b>	A sample survey conducted to determine the expenditure patterns of private households. Data from the HES is used as a primary source of information for the estimation of expenditure weights in the CPI.
<b>IMPLICIT PRICE DEFLATOR</b>	The relationship, expressed as an index number, (IPD) between the current price values and constant price values of broad national accounting aggregates. The IPD for private final consumption expenditure covers a range of goods and services, broadly comparable with the CPI. (3.17 - 3.20).
<b>INDEXATION</b>	The periodic adjustment of a money value according to changes in a price index.

<b>INDEX POINTS CHANGE</b>	The change in an index number series from one period to another expressed in terms of the difference in the number of index points in each index number. (11.12).
<b>INDEX POINTS CONTRIBUTION</b>	The absolute number of index points contributed to the All Groups index number by each component group, sub-group, expenditure class, etc. (11.13).
<b>INDEX NUMBER SERIES</b>	A series of numbers measuring movement over time from a base period value. The base value is normally represented by an index number of 100.0.
<b>INDIRECT TAXES</b>	Taxes assessed on producers, on the production, sale, purchase, or use of goods and services.
<b>INFLATION (DEFLATION)</b>	A term commonly used to refer to changes in price levels. A rise in prices is called inflation, while a fall is called deflation.
<b>INSTITUTIONAL SECTORS</b>	The sectors formed by classifying the institutional units primarily on the basis of differences in their financial role and behaviour.
<b>INSTITUTIONAL UNITS</b>	Fundamental economic units which are capable of owning assets and incurring liabilities on their own behalf. They can engage in the full range of transactions.
<b>INTERNAL WEIGHTS</b>	The weights of component items within an expenditure class. (4.11; 6.9).
<b>LASPEYRES PRICE INDEX</b>	A price index in which the fixed weights used represent the relative importance of index items in the weighting base period. The CPI is a Laspeyres Index. (Appendix 6).
<b>LINK FACTOR</b>	A ratio used to join a new index series to an old index series to form a continuous series.
<b>LINKING*</b>	The technique used to join a new index series (eg, one having a changed composition and weighting pattern) to an old index series to form a continuous series. The technique ensures that the resultant linked index reflects only price variations (ie, the introduction of the new items and weights does not of itself affect the level of the index).
<b>LINKING**</b>	The technique used to join a new index series which reflects a changed weighting pattern to the previous index series to form a continuous series. The technique ensures that the resultant linked index reflects only price variations (i.e. the introduction of the new items and weights does not of itself affect the level of the index). Also referred to as chaining.
<b>MATCHED SAMPLE</b>	The use of the same sample of items (or respondents) in successive periods. (6.7-6.9).
<b>METROPOLITAN</b>	For purposes of the CPI, 'metropolitan' refers to the six State capital cities, Darwin and Canberra.
<b>METROPOLITAN HOUSEHOLDS</b>	Households located in the Statistical Divisions of the eight capital cities of Australia. (3.4).
<b>NET PRICE INDEX</b>	A price index which represents an attempt to specifically remove the effects on prices of changes in indirect taxes and subsidies.
<b>NON-PROFIT INSTITUTIONS SERVING HOUSEHOLDS (NPISH)</b>	Institutions which are principally engaged in the production of non-market services for households and whose main resources are voluntary contributions by households.
<b>PAYMENTS BASIS</b>	The conceptual basis whereby price changes are reflected in a price index at the time the Payment for the goods or services is actually made, regardless of when they were bought. (5.19).
<b>PERCENTAGE CHANGE</b>	The change in an index series from one period to another expressed as a percentage of its value in the first of the two periods. (11.8-11.11).
<b>PRO-RATA BILLING</b>	A system of billing used by some electricity and gas authorities under which consumers are charged for consumption at various prices during a single billing period. (8.37).
<b>PRICE INDEX</b>	An indicator used to measure the proportionate changes in the prices of a specified set of goods and services.

<b>PRICE INDEX</b>	A composite measure of the prices of items expressed relative to a defined base period.
<b>PRICE LEVELS</b>	Actual money values in a particular period of time.
<b>PRICE MOVEMENTS</b>	Changes in price levels between two or more periods. Movements can be expressed in money values, as price relatives or as percentage changes.
<b>PRICE RELATIVE*</b>	The ratio derived by dividing the price of an item in one period by its price in an earlier period. (6.6; 6.10).
<b>PRICE RELATIVE**</b>	A measure of price movements; the ratio of the price level in one period to the price level in another.
<b>PRICING TO CONSTANT QUALITY</b>	The procedure of pricing the same quality and quantity of good or service in successive periods. (7.1).
<b>PURE PRICE CHANGE</b>	The change in the price of a good or a service after removing any variation in price attributable to a change in quality or quantity. (7.1).
<b>PRIVATE HOUSEHOLDS</b>	Households living in private dwellings. Private dwellings exclude prisons, non self-care units for the aged, defence establishments, hospitals and other communal dwellings.
<b>PRIVATE FINAL CONSUMPTION EXPENDITURE</b>	A national accounts measure which reflects current expenditure by households, and producers of private non-profit services to households. It includes purchases of durable as well as non-durable goods. However, it excludes expenditure by persons on the purchase of dwellings and expenditure of a capital nature by unincorporated enterprises.
<b>PROJECT HOMES</b>	Dwellings available for construction on a client's block of land. Price changes therefore relate only to the price of the dwelling (excluding land).
<b>PUBLIC CORPORATIONS</b>	Institutional units, subject to the control of government units, which aim to cover their operating expenses by selling their output or by engaging in financial transactions such as borrowing and lending.
<b>PUBLIC SECTOR</b>	The public sector comprises general government and the public sub-sector of the corporate sector.
<b>PURCHASERS' PRICES</b>	The value of a commodity at purchasers' prices is equal to its basic price plus indirect taxes (less subsidies) and margins (e.g. wholesale, retail, freight).
<b>PURE PRICE CHANGE</b>	The change in the price of an item after removing any variation in price attributable to a change in quality or quantity.
<b>QUALITY ADJUSTMENT</b>	The elimination of the effect that changes in the quality or composition of an item have on the price of that item in order to isolate the pure price change.
<b>QUALITY CHANGE</b>	Any change in the characteristics or attributes of a good or service. Quality adjustment isolates the pure price change by eliminating the effect of changes in quality on the price of the item.
<b>REAL ESTATE TRANSFER EXPENSES</b>	The various fees which are incurred by either the buyer or seller of real estate, namely legal fees on transfer, real estate sales commission, stamp duties on transfer and other government charges.
<b>REBASE</b>	To change the reference Base period of an index number series.
<b>REFERENCE BASE PERIOD</b>	The period in which the CPI is given a value of 100.0. The CPI is currently on a reference base of 1989-90.
<b>REGIMEN</b>	The selected goods and services priced for the purpose of compiling a price index.
<b>RESPONDENTS</b>	Businesses, authorities, etc, from which prices data and associated information are collected regularly for use in compiling the CPI.
<b>SAMPLE</b>	A representative selection of goods and services to be priced, or of retail outlets from which to collect prices. (5.2-5.14).
<b>SCHEDULE FEE</b>	The fee for a specific medical service as prescribed in the Medical Benefits Schedule to the (Commonwealth) Health Insurance Act. The schedule fee forms the basis for determining the amount of Medicare benefit (previously health insurance fund benefit) payable for each service.

<b>SCOPE</b>	The conceptual boundaries of the CPI in terms of goods and services represented, and of the population group and geographic areas to which it relates.
<b>SCOPE (OF A PRICE INDEX)</b>	The conceptual boundaries of the price index in terms of goods and services represented, and of the population group and geographical areas to which it relates.
<b>SEASONAL ADJUSTMENT</b>	A statistical technique to remove the effects of seasonal and calendar influences operating on a series. Seasonal effects usually reflect the influence of the seasons themselves either directly or through production series related to them, or social conventions. Other types of calendar variation occur as a result of influences such as the number of days in the calendar period, the accounting or recording practices adopted or the incidence of moving holidays (such as Easter).
<b>SEASONAL ITEMS</b>	Items which are only available, or are in very much greater supply and/or demand, at certain times of the year. (8.55-8.66).
<b>SMOOTHING TECHNIQUES</b>	The range of techniques which can be used to remove the irregular component from a seasonally adjusted time series. The standard ABS trending technique is one example.
<b>SPATIAL PRICE INDEXES</b>	Indexes which measure the difference in prices between localities at a particular point in time - as distinct from indexes like the CPI which measure change in prices over time. (12.7-12.15).
<b>SPECIFICATION</b>	Detailed description of the characteristics of a good or service to be priced. (5.4-5.7).
<b>SPLICING</b>	A technique used to introduce new items or respondents into the index calculations so that the level of the index is not affected.
<b>SUBGROUP</b>	A collection of related expenditure classes. There are 33 subgroups in the 13th series CPI.
<b>SUB-GROUP</b>	The second Level of disaggregation of the CPI, comprising a number of related expenditure classes. The 11th series CPI contains 3S sub-groups. (Appendix I).
<b>TORNQVIST PRICE INDEX</b>	The Tornqvist index uses logarithmic change techniques to measure price change between any two periods. Items are weighted together in this formula by the arithmetic average of their relative expenditures in these periods.
<b>TRANSACTION PRICE</b>	The actual price paid by the consumer - as opposed to a nominal or list price. (3.11; 5.17).
<b>TREND ESTIMATES</b>	Trend estimates are derived from seasonally adjusted estimates via an averaging process which attempts to remove the irregular component of the time series. This allows the underlying direction of a time series to be identified.
<b>UTILITY</b>	Often defined as the satisfaction derived from consumption of a good or service.
<b>WEIGHT</b>	The measure of the relative importance of an item in the index regimen. Weights can be expressed in either quantity or value terms. Value weights are used in the CPI.
<b>WEIGHTED AVERAGE</b>	An average which is obtained by combining different numbers (eg, prices or index numbers) according to the relative importance of each. (4. 19).
<b>WEIGHTING BASE PERIOD</b>	The period to which the fixed quantity weights relate. The weighting base period for the 13th series CPI is 1993-94.

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